



TO:
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Philadelphia Housing Authority
Building Beyond Expectations

From:

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Philadelphia Housing Authority
Cost Limit Policy

AUTHORIZATION

Pursuant to the Philadelphia Housing Authority's ("PHA or the Authority") Moving To Work ("MTW") Annual Plan Year Three, Major Initiative 2-8, Establishment of Total Development Cost and Housing Cost Caps ("HCC") approved by the U. S. Department of Housing and Urban Development ("HUD") and as restated in the Authority's MTW Annual Plan Year Four, Major Initiative 2-9 of the same title, the PHA hereby establishes a reasonable Cost Limit Policy ("CLP, or the "Policy") for development and redevelopment activities that will replace HUD's TDC and HCC.

The Policy creates TDC and HCC limits, which establish construction and development cost limits for PHA's development activities in the City of Philadelphia. The PHA Cost Limits range from 131% to 148% higher than HUD's Cost Limits depending on the type of building (Detached/semi-detached, Row House, Walkup, and Elevator) and by bedroom/unit size (studio to six bedroom units). For example, the TDC for a four-bedroom elevator unit is 131% higher than HUD's TDC limit and the TDC for a three-bedroom row house unit is 146% higher than HUD's TDC limit.

The Cost Limit Policy described below reflects a range of costs associated with developing new PHA Conventional and Scattered Site rental units, rehabilitating existing rental units in these categories, as well as the costs associated with developing and rehabilitating new homeownership housing units and fully adaptable units for the mobility-impaired. For example, the cost of providing electronic lifts in a two-story unit is a cost increase of approximately \$15,000.00. The CLP captures costs associated with current construction practices and the incorporation of energy efficient and environmentally conscious equipment and materials used in the building process. In addition, the establishment of the CLP takes into account the greater Philadelphia area market trends in construction and union wage rates, Davis Bacon wage rates and costs associated with government contract work verses private market contract work. For example, the Engineering News Record for the City of Philadelphia material cost index increased 5.4% above the 2003 index and the Philadelphia union wage rates are on an average 4% higher than the Davis Bacon wage rates required by HUD. The CLP also incorporates the cost of modern design amenities to improve the marketability of PHA units. The costs of a refrigerator, a dishwasher, a garbage disposal, an energy efficient hot air furnace with central air conditioning in a typical Philadelphia two-story residential three-bedroom row house unit adds approximately \$3,700.00 in extra costs. Also a typical two-story row house is 1440 SF or 240 SF greater than the HUD standard three-bedroom apartment of 1200 SF, adding \$36,000.00 in additional cost.

The Philadelphia Housing Cost Factors separately and cumulatively impact the PHA's ability to develop housing units within the HUD cost limits specifically for new and rehabilitated home ownership developments and for development sites that include 10% or greater fully adaptable units for the mobility impaired. Because each development initiative is unique and may include some or all of the above cost factors, PHA is establishing the following application criteria, which defines how the CLP will be applied.

APPLICATION CRITERIA FOR USING PHA TDC AND HCC LIMITS

The PHA TDC and HCC limits in "Attachment A" will be applied in connection with the development of all new and substantially rehabilitated PHA 504-compliant and homeownership units for construction and permanent financing scenarios. A range of TDC and HCC limits from the existing HUD 2003 TDC/HCC limits, as regularly updated by HUD, up to and including PHA's TDC/HCC limits will be used for the development of all mixed financed public housing/tax credit rental units and for the substantial rehabilitation of existing public housing conventional and scattered site rental units.

Recommended By:

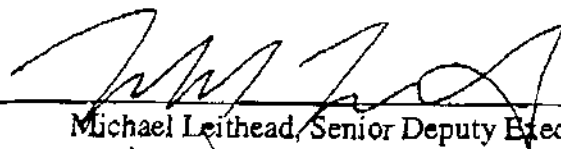


Date:

8.2.04

Sharon Ebert, Executive General Manager, Real Estate Development

Reviewed By:



Date:

8/10/04

Michael Leithead, Senior Deputy Executive Director

Approved By:



Date:

8/10/04

Carl R. Greene, Executive Director

TOTAL DEVELOPMENT COST (TDC) and HOUSING COST CAP (HCC) LIMITS

Comparison of PHA's Cost Limits to HUD's HCC/TDC Limits

Detached and SemiDetached Structures/HCC

	HUD's	PHA's	\$ Difference	%Difference
1 BR	81,789	154,130	72,341	1.88
2 BR	106,715	166,323	59,608	1.56
3 BR	128,714	180,542	51,828	1.4
4 BR	152,078	207,641	55,563	1.37
5 BR	166,641	227,187	60,546	1.36
6 BR	180,596	244,129	63,533	1.35

Detached and SemiDetached Structures/TDC

	HUD's	PHA's	\$Difference	%Difference
1 BR	143,130	269,727	126,597	1.88449
2 BR	186,752	291,066	104,314	1.55857
3 BR	225,250	315,791	90,541	1.401958
4 BR	266,136	363,372	97,236	1.365362
5 BR	291,622	397,576	105,954	1.363326
6 BR	316,042	427,225	111,183	1.351798

Row House/HCC

	HUD's	PHA's	\$Difference	%Difference
1 BR	72,798	140,814	68,016	1.934311
2 BR	94,404	152,927	58,523	1.619921
3 BR	113,560	165,927	52,367	1.461139
4 BR	133,678	190,585	56,907	1.425702
5 BR	146,462	206,157	59,695	1.40758
6 BR	158,231	231,184	72,953	1.461054

Row House/TDC

	HUD's	PHA's	\$Difference	%Difference
1 BR	127,397	246,425	119,028	1.934308
2 BR	165,207	267,622	102,415	1.619919
3 BR	198,730	290,372	91,642	1.461138
4 BR	233,936	333,524	99,588	1.425706
5 BR	256,308	360,775	104,467	1.407584
6 BR	276,904	404,573	127,669	1.461059

WalkUp/HCC				
	HUD's	PHA's	\$Difference	%Difference
0 BR	46,762	114,531	67,769	2.449232
1 BR	62,808	120,591	57,783	1.919994
2 BR	79,929	142,004	62,075	1.776627
3 BR	106,161	153,234	47,073	1.443411
4 BR	131,418	187,217	55,799	1.424592
5 BR	148,213	209,156	60,943	1.411185
6 BR	164,048	236,756	72,708	1.443212
WalkUp/TDC				
	HUD's	PHA's	\$Difference	%Difference
0 BR	81,833	200,429	118,596	2.449244
1 BR	109,915	211,035	101,120	1.919984
2 BR	139,875	248,508	108,633	1.776643
3 BR	185,782	268,159	82,377	1.443407
4 BR	229,981	327,629	97,648	1.424592
5 BR	259,373	366,023	106,650	1.411184
6 BR	287,084	414,323	127,239	1.443212
Elevator/HCC				
	HUD's	PHA's	\$Difference	%Difference
0 BR	50,928	115,171	64,243	2
1 BR	71,300	135,053	63,753	1.894151
2 BR	91,671	159,541	67,870	1.740365
3 BR	122,228	180,689	58,461	1.478295
4 BR	152,785	200,635	47,850	1.313185
5 BR	173,157	252,830	79,673	1.46012
6 BR	193,528	277,761	84,233	1.43525
Elevator/TDC				
	HUD's	PHA's	\$Difference	%Difference
0 BR	81,486	184,273	102,787	2.261407
1 BR	114,080	216,085	102,005	1.894153
2 BR	146,674	255,265	108,591	1.740356
3 BR	195,565	289,103	93,538	1.478296
4 BR	244,457	321,016	76,559	1.31318
5 BR	277,051	404,529	127,478	1.460125
6 BR	309,645	444,417	134,772	1.435247

Note: (Should be 2.2614, but I can't correct the error)